

Message Text

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PAGE 01 LIMA 02911 161649Z

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ACTION ARA-10

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TO SECSTATE WASHDC 9705

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E.O. 11652: N/A

TAGS: BEXP, PE

SUBJECT: MAJOR PROJECT - ZANA-JEQUETEPEQUE IRRIGATION

REF: STATE 063742

1. COPY OF FEASIBILITY STUDY BEING AIR POUCHED TODAY DIRECTLY TO JOHN SANDS, CHIEF OF MAJOR PROJECTS DIVISION, DOC.

2. IN COURSE OF DISCUSSION WITH FINANCE MINISTRY OFFICIAL, HE POINTED OUT THAT OWING TO ITS NATURE, PROJECT WOULD REQUIRE VERY FAVORABLE FINANCIAL TERMS. EMBASSY OFFICER REPLIED THAT WE VIEWED PROJECT AS FORM OF EXPORT PROMOTION THAT COULD BE MUTUALLY BENEFICIAL TO BOTH COUNTRIES AND THAT, OWING TO REORIENTATION OF AID PROGRAM, U.S. WOULD PROBABLY NOT BE ABLE TO PARTICIPATE IN PROJECT IF GOP HAD IN MIND HIGHLY CONCESSIONAL TERMS. EMBASSY OFFICER CONTINUED THAT HE THOUGHT U.S. MIGHT BE ABLE TO COMPETE ON TERMS SIMILAR TO THOSE OF HUGE MAJES IRRIGATION PROJECT WHICH WAS RECENTLY NEGOTIATED WITH INTERNATIONAL CONSORTIUM HEADED BY U.K. MINISTRY OFFICIAL SAID THESE TERMS WERE 7.23 PERCENT (AVERAGE), 5 YEAR GRACE, 15 YEAR AMORTIZATION.

3. EMBASSY OFFICER AGREED WITH MINISTRY OFFICIAL THAT NEXT STEP WOULD BE TO OBTAIN FROM MAJOR PROJECTS DIVISION ROUGH ESTIMATE OF TERMS U.S. MIGHT BE ABLE TO PROVIDE. MINISTRY COULD THEN DECIDE ON BASIS THIS INFORMATION WHETHER IT SEEMED USEFUL TO PURSUE MATTER FURTHER. OFFICIAL SAID THAT IDB MIGHT EXPLORE PROJECT NEXT YEAR BUT DID NOT INDICATE THAT IBRD HAD

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PAGE 02 LIMA 02911 161649Z

INTEREST. HE SAID U.S. IS ONLY COUNTRY CURRENTLY INVESTIGATING

PROJECT.

4. MINISTRY OFFICIAL SAID HE WOULD SEND EMBASSY THIS WEEK A NEW COMPILATION OF PROJECTS PREPARED FOR NEXT IBRD CONSULTATIVE GROUP MEETING TO BE HELD IN PARIS NEXT NOVEMBER. EMBASSY AND MINISTRY PLAN REVIEW THIS LIST TO IDENTIFY THOSE PROJECTS WHICH MIGHT BE OF SPECIAL INTEREST TO U.S. IN COURSE OF FUTURE CONVERSATIONS, EMBASSY WILL CONTINUE TO MAKE CLEAR NOT ONLY THAT PROJECTS MUST BE COMMERCIALLY ATTRACTIVE TO U.S. BUT ALSO THAT IT BELIEVES U.S. FIRMS CAN COMPETE SUCCESSFULLY WITH OTHER POTENTIAL THIRD COUNTRY SUPPLIERS ON THIS BASIS.

5. COMMENT: DESPITE HIGHLY COMPETITIVE NATURE OF SITUATION AND HARD BARGAINING TO BE EXPECTED FROM GOP, EMBASSY REMAINS HOPEFUL THAT ONE OR MORE PROJECTS CAN BE SECURED BY U.S. SUPPLIERS/CONTRACTORS. EMBASSY WILL SEND LIST OF SELECTED PROJECTS TO MAJOR PROJECTS DIVISION AS PROMPTLY AS POSSIBLE IN HOPE THAT U.S. CAN GET ITS FOOT IN DOOR ON SOME PROJECTS PRIOR TO NEXT CONSULTATIVE GROUP MEETING WHETHER OR NOT USG DECIDES TO PARTICIPATE AS FULL MEMBER.
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